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## MEMORANDUM

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**TO:** CITY COUNCIL  
**FROM:** CRAIG CLIFFORD, CHIEF FINANCIAL OFFICER  
**CC:** DAVID ELLISON , ACTING CITY MANAGER  
NEAL SHEARER, ASSISTANT CITY MANAGER  
ROGER KLINGLER, ASSISTANT CITY MANAGER  
**SUBJECT:** PROPOSED RATE AND FEE CHANGES  
**DATE:** MARCH 25, 2008

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**EXECUTIVE  
SUMMARY**

As part of the City's annual review of rates and fees, as required by adopted financial policies, staff proposes the following changes for the 2008/09 fiscal year:

**Enterprise Funds:**

- Increase water user fee revenues 5.5 percent effective November 1, 2008; increase sewer user fee revenues 6.0 percent effective July 1, 2008; and increase solid waste user fees 4.0 percent effective July 1, 2008, resulting in a combined monthly increase of 4.9 percent (\$3.69) on the typical residential utility bill. The February 2008 Consumer Price Index (CPI) for these utility services nationwide averaged 5.5%. These proposed changes incorporate rate stabilization over the planning period and help to cover operating and capital costs and to maintain reserve funds in accordance with the City's adopted Comprehensive Financial Policies.
- Pending completion of the comprehensive development fee update study that is currently underway, a 3.5 percent across-the-board increase in Water and Water Resources, and Sewer Development Fees is proposed to become effective July 1, 2008 as an interim measure to keep pace with construction costs increases.
- Administrative/housekeeping adjustment for Airport hourly rate of \$54.14/hour

**Non-Enterprise (General Fund)**

- Adjust and codify Police Department fees for direct services to the public, effective July 1, 2008, making the fees part of the City's annual review of all rates and fees, per adopted financial policy.
- Adjust specific Fire department service fees to cover the cost of providing select fire services, effective July 1, 2008; add County Island Response Fee-Per-Unit of \$1,347 for cost recovery of fire or medical emergency response to county island residents, effective July 1, 2008.
- Adjust specific rates and fees at WestWorld pertaining to facility rentals, services, and general labor rate, effective July 1, 2008.
- Increase Planning and Development Services fees and charges a combined 4.0 percent, consisting of the following: index fees at 2.5 percent, effective July 1, 2008, to cover general inflationary costs based on the Consumer Price Index; an additional 1.5 percent one-time fee increase, effective July 1, 2008, to fund operating costs related to enhanced services for the Stormwater Management process as specified in Resolution No. 7431 approved by

City Council on December 4, 2007. Implement minor fee adjustments, effective July 1, 2008, related to Chapter 48 of the Scottsdale Revised Code, Resolution No. 7350, Ordinance No. 3743 pertaining to changes related to the dividing of land, approved by Council August 21, 2007.

**BACKGROUND** The City's adopted Comprehensive Financial Policies require enterprise (water, sewer, solid waste management, and airport) user fees and charges to be examined annually to ensure that they recover all direct and indirect costs of service and be approved by City Council. The financial policies also require all non-enterprise user fees and charges to be examined annually to determine the direct and indirect cost of service recovery rate. The acceptable recovery rate and any associated changes to user fees and charges are to be approved by the City Council.

Based on these policy directives, this report examines enterprise and non-enterprise fees and charges and presents findings and recommendations for FY 2008/09. The following sections provide the background and history for the specific rate and fee recommendations presented in the *Analysis & Assessment* and *Proposed Changes* sections of the report.

### **Enterprise Rates and Fees**

**Financial Planning Process.** As prescribed by the City of Scottsdale's adopted Comprehensive Financial Policies, the City sets rates for water, sewer, solid waste, and aviation customers based on an annually updated five-year financial plan for each enterprise fund. The five-year plans are used to ensure that rate adjustments generate sufficient revenues to cover costs of serving customers and to maintain adequate reserves in accordance with the City's adopted financial policies. The reserve policies are to provide for contingencies and to stabilize rate increases over the five-year planning period. As part of the comprehensive planning effort, the impact on the combined utility bill is carefully considered in determining the appropriate balance between rate increases and debt financing. A key objective is to keep the combined increases to water, sewer and solid waste (garbage and recycling collection) service on the utility bill at or below the change in the related CPI for Water, Sewer, and Solid Waste. To accomplish this objective, the City has systematically incorporated marginal rate increases from year to year in conjunction with debt financing to avoid acute rate increases at any point in time.

**State Public Notification Process For Water & Sewer Rate Increases.** State statutes establish the public notice and public hearing process to ensure that City water and sewer customers receive adequate notice time, the ability to study the rate report supporting the proposed rate increases, and the opportunity to speak at a public hearing regarding the proposed increases. State statute requires:

- Adoption of a notice of intention to increase rates and fees at a regular Council meeting (scheduled April 15, 2008) and setting of a date for a public hearing on the proposed increase to be held not less than 30 days after adoption of the notice of intention (May 20, 2008);
- Posting of a written report or data supporting the increases with the City Clerk at least 30 days prior to the public hearing (scheduled April 15, 2008);
- Publication of a notice of public hearing regarding City's intention to increase rates and fees in a newspaper of general circulation within the boundaries of the municipality not less than 20 days prior to the public hearing date (scheduled April 22, 2008);
- A public hearing at a City Council meeting (scheduled May 20, 2008);
- Adoption of the proposed rate and fee increases any time after the public hearing (scheduled May 20, 2008); and
- Implementation of increases no sooner than 30 days after adoption (proposed water rate increase effective November 1, 2008, and sewer rate increase effective July 1, 2008).

## **Non-Enterprise (General Fund) Rates and Fees**

### **Police Department**

The Police Department offers several direct services to citizens and businesses to help serve the community. Examples of these services are copies of incident/collision reports, name searches, subpoenas, photos relevant to cases, copies of digital media, calls for service activity summary (computer aided dispatch event logs or address history requests), audio recordings of Police Communications 9-1-1/ phone calls or radio dispatches, public fingerprinting, and off duty fees. Since these services provide a direct benefit to the user/customer, a fee is assessed to recover the cost of the services provided when legally allowed to do so.

Some fees are governed by the public records request laws and court decisions. State law and city ordinance requires that victims of crimes be given reports free of charge; however, suspects, witnesses, and other interested parties can be charged a fee. Fees for public records requests can be charged for material costs such as paper, CDs, postage etc. Personnel time can be charged for copying the material if the employee needs to stand by while copies are being made. Search time to retrieve the records and redaction, cannot be charged.

### **Fire Department**

Direct Fire Services – The Fire Department offers several direct services to citizens to help serve the public. Examples of these services include CPR and First Aid classes, special event staffing, and fire reviews and inspections. Since many of these services provide a direct benefit to the user / customer, a fee is assessed to recover the cost of the service provided.

County Island Fire Service – Another service the Fire Department provides is fire service to three county islands, currently at no charge. The transition of fire protection services in Paradise Valley to the Phoenix Fire Department in 2007 left three county islands within the City's municipal planning area without a fire service provider. The islands are in the areas of 68<sup>th</sup> Street and Exeter Boulevard, 66<sup>th</sup> Street and Chaparral Road, and Miller Road and McDonald Drive. There is also a small Arizona Public Service substation along the canal near Chaparral Road. that is considered a county island.

A new state law went into effect in September 2007 that allows these noncontiguous county islands to form a fire district and enter into an intergovernmental agreement for fire protection services with the City. A group of residents in the islands have initiated the process with Maricopa County to form a fire district and the proposed fire district would consist of thirty-nine parcels.

Based on staff analysis and discussion with City Council members in January 2008, staff is proposing a fee-per-unit response of \$1,347 that can be implemented if the residents choose not to form a fire district. This fee is for cost recovery efforts to the Fire Department and would be charged for each Scottsdale Fire Department unit that responds to a fire or medical emergency at any parcel in any of the county islands.

### **WestWorld**

The City operates WestWorld under a Cost Sharing Recreational Land Use Agreement with the BOR. Article 4, Section A of the Agreement requires that the City review the WestWorld fee schedule "not less often than every five years." The City's adopted financial policies, however, require a much more rigorous examination of City user fees and charges. The City's financial policies require all non-enterprise user fees and charges to be examined annually to determine the direct and indirect cost of service recovery rate. The acceptable recovery rate and any associated changes to user fees and charges must be approved by the City Council.

A portion of WestWorld rates were adjusted in FY 2007/08 as approved by Council (effective July 1, 2007) to keep fees commensurate with facility enhancements, upgrades, and higher operational costs. As part of this year's annual WestWorld fee review, staff is proposing specific fee adjustments to key areas of the WestWorld fee schedule.

### **Planning and Development Services**

The Planning & Development Services Department manages the development review process for the City. The City of Scottsdale regulates development and improvement of property within the City. Prior to developing or improving property, plans must be submitted for review and, upon plan approval, permits must be obtained prior to commencing construction. User fees are designed to recover the cost of these services.

## **ANALYSIS & ASSESSMENT**

### **Enterprise Rates and Fees**

In accordance with its adopted financial policies, the City completed the annual updates to the comprehensive five-year financial plans that incorporate all projected operating and capital expenses and revenues to determine the cash needs of the Aviation, Solid Waste, Water and Sewer Enterprise funds. To meet the revenue requirements identified in the updated plans and to achieve rate stabilization over the five-year planning period, the City is proposing increases in water, sewer and solid waste user fees in conjunction with planned debt issuances to support the water and sewer capital program. As part of the comprehensive planning effort, the impact on the combined utility bill for water, sewer and solid waste service was carefully considered in determining the appropriate balance between the proposed rate increases and debt financing. A key objective was to keep the combined increases to water, sewer and solid waste (garbage and recycling collection) service on the utility bill at or below the change in the related Consumer Price Index (CPI). The February 2008 report from the U.S. Department of Labor shows the annual increase in the specific CPI increase for water, sewer and trash collection services at 5.5 percent. Consistent with the updated five-year financial plans and in order to cover forecasted costs and maintain desired reserves, there are proposed increases to the water, sewer and solid waste user fees that would result in a combined monthly increase of 4.9 percent on the typical residential utility bill.

Based on the updated five-year financial plans, a synopsis of revenue requirements and recommended rate and fee changes for each Enterprise Fund are explained below:

- **Aviation** – The current five-year financial plan indicates that existing rates and fees will generate sufficient revenues to cover forecasted costs, maintain the desired Operating Reserve, and gradually build the Repair and Replacement Reserve. Airport operating revenues and costs are forecasted to remain stable and capital program costs, which are largely funded by federal and state grants, do not typically generate significant revenue requirements from airport rates and fees. Although no rate or fee increases are needed to meet the forecasted Aviation Fund revenue requirements, staff is proposing a change to the Airport Hourly Rate from \$46.94/hour to \$54.14/hour as an administrative/housekeeping measure to keep pace with operating costs. The financial plan will be updated again next year to reevaluate the sufficiency of existing rates and fees to meet the Aviation enterprise revenue requirements.
- **Solid Waste** – To address the increased revenue requirements related to increased personnel and maintenance operating costs, a 4.0 percent increase in solid waste user fee revenues is proposed, effective July 1, 2008, that will add \$0.60 to the monthly residential solid waste collection fee. A review of valley cities providing comparable services indicates that Scottsdale's solid waste collection fee will remain as one of the lowest in the Valley area.
- **Water** – Revenue requirements for the Water Enterprise Fund are significantly impacted by the long-term capital and associated operating impacts of federal water quality regulations, i.e., arsenic and disinfection by-product regulations enacted by the U.S. Environmental Protection Agency (EPA). Other cost factors affecting the Water Fund revenue requirements over the five-year planning period include:
  - Capital cost increases for rate-funded water distribution system improvements to address infrastructure replacement needs identified through the recently enhanced asset management program effort. This includes: planned conversion of several sites from

radio to fiber optics to improve system communication and control; and planned rehabilitation or replacement of various water lines, booster pump stations, chlorine facilities, large valves and meters.

- Capital costs, for the rate-funded portion of the planned 30 million gallons per day expansion at the CAP Water Treatment Plant due to construction cost increases.
- Operating costs for increases for treatment filter media replacement including granular activated carbon (GAC) for water treatment plants, iron filter media for arsenic treatment facilities and filter membranes for the Chaparral Water Treatment Plant and the Advanced Water Treatment Plant at the Water Campus.
- Operating cost increases for purchased water, that reflects an 8.2% price increase to purchase Central Arizona Project (CAP) water for fiscal year 2008/09.

To address the increased revenue requirements, a 5.5 percent increase in water user fee revenues is proposed, effective November 1, 2008, that will add \$1.88 to the typical residential monthly water charges. The rate increases would be applied only to water usage fees to further emphasize water conservation objectives. No increase in the water base fee is proposed. The City's existing three-tier increasing block rate structure reflects higher rates for higher levels of water usage. As shown in the following table, the proposed water rate increases provide the lowest increase for Tier 1 with higher increases for Tiers 2 & 3.

Rate Block	Current Rate Per 1000 Gallons	Proposed Rate Per 1000 Gallons	Proposed Increase Per 1000 Gallons
Tier 1	\$1.61	\$1.74	\$0.13
Tier 2	\$3.01	\$3.24	\$0.23
Tier 3	\$4.13	\$4.45	\$0.32

The structure of the proposed increases will benefit customers using lower amounts of water by putting more price emphasis on the higher water usage rate blocks.

In addition to the proposed rate and fee increases, the City plans to issue \$84.0 million in new debt to meet the forecasted capital improvements cash flow needs of \$237.5 million for the Water Enterprise Fund over the five-year planning period. The water capital improvements program has been significantly impacted by the capital costs required to meet federal health and environmental regulations, provide for rehabilitation and/or replacement of aging system infrastructure, and to provide for increased water demand generated by new development. Development impact fee revenues are used to pay for capital improvements (and related debt) associated with new development. Development impact fees are one-time payments that apply to all new development so that new development pays its "proportionate share" of the capital costs for infrastructure capacity needed for growth. Pending completion of the comprehensive development fee update study that is currently underway, a 3.5 percent across-the-board increase in Water and Water Resources Development Impact Fees is proposed to become effective July 1, 2008 as an interim measure to keep pace with construction costs increases.

- **Sewer** – Revenue requirements for the sewer enterprise fund are impacted by:
  - Capital costs for rate-funded sewer collection system improvements to address increasing aging infrastructure replacement needs identified through the recently enhanced asset management program effort. This includes: relining of various sewer lines, planned rehabilitation or replacement of sewage lift stations, downtown area sewer rehabilitation, increased system condition assessment efforts, and planned conversion of several sites from radio to fiber optics to improve system communication and control. Sewer collection system maintenance and improvements are essential to ensure regulatory compliance with new Capacity, Management, Operations and Maintenance (CMOM) regulations and minimize sewer system overflows.

- Operating costs for Sewer Pumpback System Modifications.
- Capital costs for the Gainey Ranch Treatment Plant Rehabilitation.
- Operating cost increases at the Multi-City Sub-regional Operating Group (SROG) 91<sup>st</sup> Avenue Wastewater Treatment Plant for FY 2008/09.

To address the increased expenditure requirements, a 6.0 percent increase in sewer user fee revenues is proposed effective July 1, 2008 that will add \$1.21 to the typical residential monthly sewer charges. Even with the increase, the monthly sewer charge will remain lower than several of the communities in the Valley area.

In addition to the proposed rate increases and loans from the Water Fund, the City tentatively plans to issue \$124.0 million in new debt over the five-year planning period to meet the forecasted capital improvements cash flow needs of \$270.4 million for the Sewer Enterprise Fund. The sewer capital improvements program is impacted by capital cost increases for sewer collection system improvements to address increasing aging infrastructure replacement needs, comply with federal and state CMOM regulations, and provide for increases in system demand related to new development, including downtown revitalization efforts. The capital improvements program is also impacted by the planned expansion of the Advanced Water Treatment Plant and Scottsdale's share of costs for expansion of the Multi-City SROG 91<sup>st</sup> Avenue Wastewater Treatment Plant to meet additional service demands from new development. Development impact fee revenues are used to pay for capital improvements (and related debt) associated with new development. Pending completion of the comprehensive development fee update study that is currently underway, a 3.5 percent across-the-board increase in Sewer Development impact fees is proposed to become effective July 1, 2008 as an interim measure to keep pace with construction costs increases.

#### **Community Involvement**

A public hearing is scheduled for May 20, 2008 City Council meeting to provide an opportunity for citizens to comment on the proposal to increase water, sewer, solid waste, and aviation rates and fees for FY 2008/09. As required by State statute, additional public notice requirements for increases to water and sewer rates will include the planned City Council adoption of a notice of intention to increase rates on April 15, 2008, posting of a rate report on April 15, 2008, and publishing of the legal notice for the May 20 public hearing on April 20, 2008.

Proposed changes to aviation rates and fees for FY 2008/09 will be presented to the Scottsdale Airport Advisory Commission prior to the City Council's public hearing on May 20, 2008

**Benchmarking and Relative Position** - The following table presents the proposed City of Scottsdale monthly utility charges in comparison with other local communities. This comparison is based on use of a 5/8 inch water meter, 11,500 gallons of water usage, and 8,000 gallons of sewer usage. Although the 5/8 inch meter is not the most prevalent meter used by residential customers in Scottsdale, it is the size most commonly used for residential customers shown in the local area comparison. The comparison assumes 11,500 gallons of water usage based on the overall median single-family residential use in Scottsdale.

## Residential Utility Bill Comparisons

City or Town	Water Charges	Sewer Charges	Solid Waste Charges	Total Bill Excluding Taxes
Chandler	\$21.10	\$17.67	\$15.07	\$53.84
Gilbert	\$24.18	\$23.36	\$16.30	\$63.84
Glendale	\$26.50	\$26.56	\$14.90	\$67.96
Mesa	\$37.35	\$23.17	\$22.66	\$83.18
Peoria	\$36.91	\$21.26	\$14.56	\$72.73
Phoenix	\$27.04	\$27.15	\$24.45	\$79.64
<b>Scottsdale</b>	<b>\$38.63</b>	<b>\$21.81</b>	<b>\$15.65</b>	<b>\$76.09</b>
Tempe	\$21.36	\$14.10	\$18.11	\$53.57

**Important Note:** Scottsdale's water user fee charges are higher than other cities due to: (1) a heavier reliance on the more expensive CAP surface water supplies versus the significantly less expensive SRP water supply; and (2) larger impacts of arsenic regulations on Scottsdale's groundwater supplies. Since Scottsdale must use higher percentages of both CAP water and groundwater, the water costs in Scottsdale are unavoidably higher.

## Non-Enterprise (General Fund) Rates and Fees

### Police Department

Below is a discussion of the proposed fee changes for the Police Department and an explanation of how each fee amount was determined.

1. Department Report Request fee. Fee of \$5.00 for the first 30 pages, .25 each additional page. Victims of crimes receive one copy at no cost. No proposed change to current fee. Collision reports are also available on-line for an additional convenience fee of \$4.00.

The Police Department provides copies of incident, traffic collision reports, and field interview cards. The fees associated with this activity are based on a direct cost recovery approach covering material costs such as paper, toner, copier maintenance and mailing costs. The fees were benchmarked with other cities and were found to be comparable. All Valley agencies surveyed charge \$5.00 for a basic report of 20 to 35 pages, with the exception of Phoenix who charges \$3.00.

Citizens and businesses have the option of purchasing collision reports on-line through an outside agency contracting through Scottsdale Police Department. The cost of this service is \$9.00 with \$5.00 sent to the Police Department and a \$4.00 convenience fee received by the vendor providing the service. This service is added as a way for individuals or their representatives to receive a copy of their reports without delay or travel. Persons wishing to not pay this fee may still request their reports in person or through the mail for the \$5.00 charge.

2. Copy of Digital Media. Fee of \$11.00 for CD or DVD. No proposed change to current fee.

The Police Department provides a copy of digital media of police interviews to include audio and/or video. These interviews are conducted as part of investigations. The fees associated with this activity are based on a direct cost recovery approach, covering employee costs directly involved in copying the material and required supplies. The fees were benchmarked with other cities and were found to be comparable.

3. Name Search Record fee. Increase fee from \$5.00 to \$10.00.

The Police Department provides name search records upon request for visas, certifications, adoptions or employment reasons. The fees associated with this service are based on a direct cost recovery approach, covering employee costs and required supplies. The fees were benchmarked with other cities and were found to be comparable.

4. Subpoena Request. Flat fee of \$12.00 for all reports requested by subpoena. No proposed change to current fee. Photos, audio or video CDs require additional payment and are outlined separately in this document.

The Police Department provides copies of reports as requested by subpoena. The fees associated with this activity are based on a direct cost recovery approach, covering employee costs and required supplies. The Police Department does not charge government agencies for this service. The fees were benchmarked with other cities and were found to be comparable.

The Police Department charges a flat fee instead of charging separately for each report requested in the subpoena. This eliminates the need for re-contacting the requestor and waiting for a check, and allows the subpoena to be processed and mailed without delay. The \$12.00 covers the cost of reports and certification if requested.

5. Photo Request. Decrease fee from \$15.00 to \$5.00 per CD since photos are not printed.

The Police Department reproduces crime scene photographs on CD as requested. The fees associated with this activity are based on a direct cost recovery approach covering material costs such as the CD, CD label, protective CD box, and mailing costs. The fee is comparable with valley agencies with an exception of Glendale which charges \$20.00.

6. Calls for Service Activity Summary (computer-aided dispatch event logs or address history requests). Fee of \$5.00 for the first 30 pages, .25 each additional page. This reflects an increase by charging additional for requests greater than 30 pages in order to accommodate large requests.

The fees associated with this are based on a direct cost recovery approach. Agencies may charge to offset costs of the materials needed to provide this public records request such as paper, toner, copier maintenance and mailing costs. The fees were benchmarked with other cities and were found to be comparable.

7. Audio recording 911/phone calls or radio dispatch recordings. Increase fee from \$15.00 per CD to \$16.50 per CD.

The fees associated with this are based on a direct cost recovery approach, covering employee costs in copying the material, supplies, and postage. The change is due to the increase in employee and material costs. The fees were benchmarked with other cities and were found to be comparable.

8. Public Fingerprint fee. Fee of \$ 10.00 per card. No proposed change to current fee.

The Police Department provides fingerprinting services to the general public. Citizens require fingerprint cards as a course of their employment such as teachers, child care services, medical services, and financial institutions. Fingerprinting services for children are provided for free at various public safety fairs throughout the year. This service is currently offered three times a week. (Wednesday 6:30 p.m. to 7:30 p.m., Thursday 11:30 a.m. to 2:00 p.m., Saturday 10:00 a.m. to 12:30 p.m.) The fees associated with this activity are based on a direct cost recovery approach, covering employee costs and required supplies. The fees were benchmarked with other cities and were found to be comparable.



9. Off-Duty Hourly Rates. Top range of new fiscal year on-duty hourly rate per position + 10%.

As a service to the community, the Scottsdale Police Department fills requests to hire off-duty employees to work police related duties such as security and traffic control at events or unique situations (i.e. construction areas) within the City. Companies hiring off-duty officers range from local car dealerships and schools, to construction companies. It is advantageous for Scottsdale Police Department's officers to fill these requests, as Scottsdale's officers are familiar with the City and its activity, and have a direct line of communication in case further assistance is necessary.

Off-duty employment is strictly regulated by the Police Department. Job requests are reviewed to ensure no conflict of interest or inconsistency with city values. A contract is required for every job. The positions are filled with interested police officers and police aides, who are limited to traffic control positions. The Police Department bills the private employer after completion of the off-duty job, and receives a check for each participating officer and police aide, as well as one for fees due to the City.

The off-duty hourly rate is the rate earned by the officer/police aide and is paid directly to the employee by the private employer. Previously, the rates were reviewed and set each fiscal year for each position. The formula proposes using the top on-duty hourly rate for the position (police aides earn officer rate), plus 10 percent, rounded up to the nearest dollar. The formula is being proposed as salary ranges may not be adopted at the time of the fees/charges review.

The rates have historically been determined by the Scottsdale Police Department in consideration of on-duty hourly and overtime rates, inflation, and comparison to other Valley law enforcement agencies. However, agencies can be unique in their off-duty rates as some charge an overtime rate, some offer officers an overtime rate but only charge a much less off-duty rate and absorb the difference, and some agencies allow officers to negotiate their own rates. Scottsdale substantiates its formula (top hourly rate plus 10%) in that most of the participating officers are at the tops of their ranges, and as off-duty assignments take away from employees' personal schedules, it creates an incentive to work.

The following benchmarking is a historical comparison of officer off-duty rates for valley agencies with a similar methodology.

<b>Agency</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>
Scottsdale PD	\$32	\$35	\$38
Glendale PD	\$35	\$35	\$35
MCSO	\$35	\$40	\$50
Mesa PD	\$30	\$35	\$35
Tempe PD	\$30	\$30	\$35

10. Off Duty Administrative Fee. \$1.00 per hour worked. No proposed change to current fee.

The administrative fee of \$1.00 per hour worked is paid to the City of Scottsdale to cover the cost of the computer software and hardware used to fill off-duty jobs. The fee generates approximately \$9,000 per year. Every five years, the automated computer calling system needs to be upgraded. Other agencies do not charge an administrative fee.

11. Off Duty Insurance Waiver Option Fee. \$7.00 per hour worked. No proposed change to current fee.

Private employers are required to indemnify the City of Scottsdale and the off-duty employee through general liability insurance and workers compensation insurance. However, the private employer can opt to pay an additional fee to the City of Scottsdale to waive these insurance requirements. In this instance, if a Scottsdale employee is injured while working an off-duty assignment, the City will pay the workers compensation claim. This Insurance Waiver Option Fee is reviewed and set annually by the Risk Management Director and is paid to the City. The rate of \$7 per hour worked is benchmarked by the Risk Management Director using the condition of the insurance market as a whole.

12. Off Duty Late Request Fee. \$5.00 per hour worked. No proposed change to current fee.

Job requests that are received less than 48 hours in advance of the off-duty job are charged a late request fee which is written into the contract. The fee is earned by and paid to the applicable employee(s). The additional charge is to encourage potential employers to make timely requests, and is intended to offset any inconvenience to the assigned employee.

13. Off Duty Late Payment Fee. Additional 5% for each item on the invoice for every 30 days past due. No proposed change to current fee.

The contract that is executed for every off-duty assignment includes a late payment fee clause. This clause encourages private employers to pay on time, within 30 days of billing. If they do not pay on time, a late payment fee of 5% for every 30 days past due, is assessed to each item on the invoice. Therefore, 5% is added to each employee's total pay and each applicable fee being paid to the City. The fee is calculated as a percentage because earnings vary per employee. The goal is to have employees promptly paid.

### **Fire Department**

Direct Fire Services – Below is a discussion of the proposed fee changes for the Fire Department for direct services they provide and an explanation of how each fee amount was determined.

1. Special Events Staffing. Increase Special Events Staffing – Field Operations Personnel hourly rate from \$35/hour to \$40/hour; and Special Events Staffing – Fire & Life Safety Personnel hourly rate from \$67/hour to \$70/hour.

Scottsdale has a long history of hosting special community events. These events can impact the general public and are often held during evenings and weekends. Large community events are both highly visible and potentially high risk. These events require the attendance of the Fire Department's Fire and Life Safety Division personnel to ensure compliance with fire/life safety components, such as emergency access, overcrowding, and incident command functions. Because the size and length of each event can vary, an hourly rate is charged based on the type of personnel required.

The proposed fee increases will allow the Fire Department to recover the additional resources and overtime costs associated with providing on-site safety coverage at special events. The Field Operations Personnel hourly rate of \$40/hour includes the salary and benefits of firefighters based on a 56-hour workweek. The Fire & Life Safety Personnel hourly rate of \$70/hour includes the salary and benefits of the Deputy Fire Marshal positions, whose hourly rate is based on a 40-hour workweek, resulting in a higher average labor cost per hour. Both hourly rates include administrative (indirect) overhead costs.

Fire Service Safety Permits (Basic Rate), After-hours and Weekends Fire Inspections (2-hour minimum), Fire Service Re-inspections (2-hour minimum), and Fire Review not associated with Building Permit. Adjust hourly rate for these specific fee categories to \$73 to align Fire department fees with comparable services in Planning and Development Services department. This ensures ongoing consistency in overall citywide fee schedule.

As part of its service to Scottsdale citizens, as well as response to community and private business requests, the Fire Department offers several programs to the public related to fire permit reviews, fire inspections, and fire safety reviews. The fire services and related cost-recovery fees are patterned after approved permit and inspection fee services in the City's Planning and Development Services department to ensure consistency in fee structure. Benchmarking efforts with the City's planning and development services, as well as other municipal fire departments, have shown that the proposed \$73 rate is competitive and falls within common practices.

2. Fire Service Safety Permits (Rush Rate – under 10 days). Increase fee from \$135 to \$146.

As a service to the public, the Fire Department offers expedited fire safety permits to its customers on an as-needed basis. The proposed fee increase covers staff operational costs of providing the service. Also, the additional charge is to encourage timely requests and is intended to offset any negative impacts to workloads and processes.

3. Fire Service Activity Search (per location). Increase fee from \$5 per location to \$10 per location. As a service to citizens, the Fire Department generates special fire activity history at specific locations within the City. A common practice for municipal fire departments is to generate fire activity history reports upon citizen request. These specially created reports are requested from both individuals and private businesses. The charge for this service falls within fire industry standards and helps cover the cost of generating this type of special report.

County Island Fire Service – As discussed in the Background section of this report, the Scottsdale Fire Department provides fire service to three county islands, currently at no charge. The transition of fire protection services in Paradise Valley to the Phoenix Fire Department in 2007 left three county islands within the City's municipal planning area without a fire service provider. A new state law went into effect in September 2007 that allows these noncontiguous county islands to form a fire district and enter into an intergovernmental agreement for fire protection services with the City. A group of residents in the islands have initiated the process with Maricopa County to form a fire district.

While the district organizing efforts are taking place, City staff is proposing a fee-per-unit response that can be implemented if the residents choose not to form a fire district. A fee for service of \$1,347 is proposed to be charged for each City of Scottsdale Fire Department unit that responds to a fire or medical emergency at any parcel in any of these county islands. The cost formula incorporates both direct and indirect operating costs and is intended to recover the full cost of providing a fire service unit response per county island parcel.

### **WestWorld**

Proposed fee changes at WestWorld are categorized into two categories for discussion purposes: Administrative / Housekeeping Change, and Changes to Existing Fees. At the time of this report, the Bureau of Reclamation (BOR) has been notified of the proposed changes with feedback pending. Also, proposed fees were presented at the February 22, 2008 WestWorld Subcommittee meeting for public comment and input. Subsequent to the meeting, users have been e-mailed to solicit feedback on the proposed changes. At the time of this report, staff has not received any responses to the e-mails.

1. Administrative / Housekeeping Change. The fee in this category is currently being administered and simply needs to be updated in the fee schedule to reflect current fee cost. This fee generates approximately \$10,000 in revenues annually.
  - Outside Catering Fee. This fee was established in 1997 and is 10% of gross revenue net of tax from any catering company that does business at WestWorld. Current request will establish fee on the WestWorld fee schedule, per City Auditor recommendation, and will become part of the City's annual review of all rates and fees, per adopted financial policy.
2. Changes to Existing Fees. The following proposed changes adjust rates and fees based on industry standards and keeps rates competitive in the market for similar type facilities. The proposed changes also help to ensure consistency throughout the overall fee schedule.
  - Arenas 3 & 5A (Rental). Proposed rental rate of \$275/day. Existing rate is \$250/day. Arenas 3 & 5A were covered in 2005, making them more desirable to users. Current rental rates in the industry show the \$250 rental rate is below the average for a covered arena. The proposed rate also helps offset the continuing maintenance for the covers.
  - Arenas 4, 5, 6, 7, 8 (Rental). Propose rental rate of \$183/day. Existing rate is \$166/day. Current rental rates in the industry show the \$166 rental rate is below the average for an outdoor arena.
  - Arena 9 (Rental). Propose rental rate of \$121/day. Existing rate is \$110/day. Current rental rates in the industry shows the \$110 rental rate is below the average for an outdoor arena. The rental rate has not been adjusted since January 1, 2004.
  - Polo Field East/West (Rental). Propose rental rate of \$1,213/day. Existing rate is \$1,103/day. The rental rate has not increased since January 1, 2004. The Polo Field requires a high level of maintenance and is utilized primarily on a retail basis. The proposed rate will help offset the high maintenance costs.
  - Stalls. Propose stall clean out rate of \$5.50/stall. Existing rate is \$5.00/stall. Propose haul off fee of \$8.25. Existing haul off fee \$7.50. These rates have not been adjusted since January 1, 2004 and the proposed fee changes reflect the higher cost of providing these services.
  - RV Spaces. Propose RV nightly rate of \$22/night. Existing rate is \$20/night. The fee for RV spaces has not been adjusted since January 1, 2003. The cost of APS and ongoing maintenance to the existing RV spaces has continued to increase. The proposed fee change is an effort to recover these higher operational costs.
  - Labor. Propose hourly labor rate of \$16.50/hr. Existing rate is \$15.00/hr. The labor rate has not been adjusted since January 1, 2003. The current labor rate average is \$20.56/hr. The proposed labor rate is an effort to help recover direct labor expenses.
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### **Planning and Development Services**

**Fee Review and Assessment.** Planning and Development Services fees and charges are reviewed annually and are indexed for inflation based on the Consumer Price Index (CPI). Indexing the fees for CPI helps defray higher operating costs due to inflation and helps smooth rate adjustments to avoid large spikes in rates to its customers in future years. Currently, the Consumer Price Index for all Urban Consumers (CPI-U) is reflecting an overall inflation rate to date of approximately 2.5 percent for FY 2007/08.

In FY 2007/08, additional staffing was approved by City Council on December 4, 2007 to address enhanced service levels related to Stormwater Management. Per adopted Resolution No. 7431, development review fees will be requested to be increased to offset the budgetary impact of creating two new Senior Stormwater Engineer positions.

Also, minor fee adjustments are proposed to address changes in Chapter 48 of the City of Scottsdale Revised Code, Ordinance 3743, related to the dividing of land, approved by Council August 21, 2007.

Staff is proposing the following changes to fees and charges to address the items discussed above, effective July 1, 2008. Proposed fee changes are rounded to the whole dollar amount for customer service reasons, as well as for cash handling issues.

#### **Proposed Changes.**

1. Cost Indexing. Propose indexing Planning and Development Services fees and charges by 2.5 percent, effective July 1, 2008, based on the current CPI-U to date for FY 2007/08. This marginal fee increase will help to defray higher operating costs due to inflation, and will help to minimize substantially higher adjustments to fees in future years. As discussed in the following section, the fee increase will not have an adverse impact on Scottsdale's relative position for user fees with other Valley cities.
2. Enhanced Stormwater Management. Propose a 1.5 percent, one-time increase to fees and charges, effective July 1, 2008, to offset operating costs related to enhanced services for the Stormwater Management process. As discussed above, additional staffing was approved by City Council on December 4, 2007 to address enhanced service levels related to Stormwater Management. Per the adopted Resolution No. 7431, an increase of development review fees is requested to offset the budgetary impact of creating the two new Senior Stormwater Engineer positions.
3. Implement Adjusted Fees. Per the new subdivision Ordinance No. 3743 approved by Council August 21, 2007, the purpose of these fee changes is to comply with city, state and federal statutes, ordinances, regulations, plans, and policies, along with resolving process inconsistencies and providing clarity. In order to synchronize the subdivision ordinance and the fee schedule, the adoption of the ordinance terminology and the adjustment of the fee amount should be made to match the new process. The following is a list of the proposed fee adjustments, effective July 1, 2008: Minor Subdivision Application fee \$710 + \$15 per lot, Minor Subdivision Revision \$530 + \$8 per lot, Minor Subdivision Final Plat \$1,415 + \$133 per lot, Partial Revision \$1,420 + \$70 per lot, Complete Revision \$2,155 + \$70 per lot, and a Certificate of Correction \$73..

#### **Benchmarking and Relative Position**

The following tables present the City of Scottsdale's relative position to other local Valley cities related to General Fund fees and charges associated with the development review process. Scottsdale's relative position is shown in these tables at the current fee rate and at the proposed 4.0 percent increase. The proposed changes do not change Scottsdale's relative position with other cities in the benchmarked categories.

The benchmarking source of this analysis is from the 2001 *Valley-Wide Cost of Development Study* and is adjusted by approved rate changes from the respective cities. Each of the respective cities uses a different fee calculation methodology. For comparative purposes, however, the fee amounts are in the aggregate. The local cities included in the comparison are Phoenix, Tempe, Mesa, Chandler, Gilbert, and Peoria. These local municipalities were contacted by staff and they have not finalized plans for raising their development user fees in FY 2008/09, as of January 2008. The benchmarked cities averaged approximately a 4% increase from FY 2005/06 to FY 2007/08. The average increased ranged from a low of 2% to a high of 7%.

- Single Family Residence: Scottsdale's relative position is 3<sup>rd</sup> highest among other valley cities in regards to the construction of a 1,800 square foot single-family residence.

<u>Position</u>	<u>City</u>	<u>Current Fee</u>	<u>4.0% Increase</u>
1	Gilbert	\$9,300	
2	Peoria	8,800	
<b>3</b>	<b>Scottsdale</b>	<b>6,270</b>	<b>\$6,521</b>
4	Tempe	4,950	
5	Phoenix	3,500	
6	Chandler	2,300	
7	Mesa	1,750	

- Retail Building: Scottsdale's relative position is 3<sup>rd</sup> highest among other valley cities in regards to the construction of a 28,000 square foot retail building.

<u>Position</u>	<u>City</u>	<u>Current Fee</u>	<u>4.0% Increase</u>
1	Peoria	\$49,290	
2	Phoenix	37,720	
<b>3</b>	<b>Scottsdale</b>	<b>36,590</b>	<b>\$38,054</b>
4	Tempe	26,960	
5	Mesa	23,340	
6	Gilbert	22,480	
7	Chandler	14,230	

- Professional Office Building: Scottsdale's relative position is 2<sup>nd</sup> highest among other valley cities in regards to the construction of a 100,000 square foot professional office building.

<u>Position</u>	<u>City</u>	<u>Current Fee</u>	<u>4.0% Increase</u>
1	Peoria	\$198,740	
<b>2</b>	<b>Scottsdale</b>	<b>102,250</b>	<b>\$106,340</b>
3	Phoenix	100,580	
4	Mesa	90,560	
5	Gilbert	80,940	
6	Tempe	70,530	
7	Chandler	36,350	

- Industrial Shell Building: Scottsdale's relative position is 2<sup>nd</sup> highest among other valley cities in regards to the construction of a 100,000 square foot industrial shell building.

<u>Position</u>	<u>City</u>	<u>Current Fee</u>	<u>2.5% Increase</u>
1	Peoria	\$166,730	
<b>2</b>	<b>Scottsdale</b>	<b>107,165</b>	<b>\$111,452</b>
3	Phoenix	48,210	
4	Gilbert	44,455	
5	Tempe	35,980	
6	Mesa	33,260	
7	Chandler	22,000	

## RESOURCE IMPACTS

### Enterprise Rates and Fees

#### Typical Utility Bill Impact:

The impact of the proposed water, sewer and solid waste user fee increases on the typical combined residential utility bill (¾ inch meter; 11,500 gallons water usage and 8,000 gallons sewer usage) is \$3.69 per month, or 4.9 percent. This increase is well below the 5.5 percent CPI increase reported by the US Department of Labor for water, sewer and trash collection services.

## Typical Residential Utility Bill\* for FY 2007/08

	Water	Sewer	Solid Waste	Total
% Increase	5.5%	6.0%	4.0%	4.9%
Current	\$39.92	\$20.60	\$15.05	\$75.57
<b>Rate Increase</b>	<b>\$1.88</b>	<b>\$1.21</b>	<b>\$0.60</b>	<b>\$3.69</b>
Proposed	\$41.80	\$21.81	\$15.65	\$79.26

\*Assumes ¾ inch meter with 11,500 gallons water usage and 8,000 gallons sewer usage.

### General Fund Rates and Fees

#### Police Department

The Police Department received the following revenue for FY 2006/07, which is deposited to the General Fund for an approximate annual total of \$178,098.

Department Reports	\$56,400 (11,250 requests)
Copy of Digital Media	\$440 (40 requests)
Name Search Record	\$1,770 (354 requests)
Subpoenas	\$336 (28 requests)
Photos	\$200 (40 requests)
Calls for Service Activity Summary	\$8,010 (1,100 requests)
Audio Recordings/Phone Calls	\$16,236 (1,000 requests)
Public Fingerprinting	\$40,800 (4,080 requests)
Off Duty Administrative Fee	\$9,000
Off Duty Insurance Waiver Option	\$44,906

#### Fire Department

Since the proposed fees and charges associated with fire services are based on a cost recovery approach, revenues generated from the proposed fire fees will be used to cover the operational costs incurred by the Fire Department for providing the services. The fees will impact only those citizens, private businesses, or county residents needing a particular fire service.

#### WestWorld

The proposed changes to WestWorld fees are expected to generate the following estimated annual revenues totaling \$185,000:

- Administrative / Housekeeping Changes: \$10,000 in ongoing revenue
- Increases to Existing Fees: \$175,000 additional revenue

#### Planning and Development Services

The proposed changes to Planning and Development Services fees and charges is projected to generate an estimated \$620,000 in revenues, based on current projected planning and development activity. .

### **PROPOSED CHANGES**

#### Enterprise Rates and Fees

**Option A:** Staff recommends increasing water user fee revenues 5.5 percent effective November 1, 2007, increasing sewer user fee revenues 6.0 percent effective July 1, 2007, increasing solid waste user fees 2.5 percent effective July 1, 2007, and implement changes to the U.S. Customs Fees at Scottsdale Airport to charge a more marketable fee in comparison to other airports throughout the country.

Staff recommends approval of the proposed rate changes based on the current five-year financial plans, which incorporate rate stabilization over the planning period. Based on the current financial plan, failure to approve the proposed rate changes in FY 2007/08 may require higher increases in future years.

**Option B:** Do not approve the proposed changes to water, sewer, solid waste, and aviation rates and fees. Existing rates and fees will remain in place, and larger rate and fee increases and possibly larger amounts of new debt may be required in subsequent years to cover costs and maintain reserve funds in accordance with the City's adopted Comprehensive Financial Policies.

## **Non-Enterprise (General Fund) Rates and Fees**

### **Police Department**

**Option A:** Staff recommends approving the proposed fee changes and codifying the fees, effective July 1, 2008, to become part of the City's annual review of all rates and fees, per adopted financial policy.

These services provide a direct benefit to the user/customer; fees are assessed to recover the cost of the service provided when legally allowed to do so. Benchmarking efforts of these services and charges have shown to be inline with industry standards.

**Option B:** Do not approve the proposed fee changes and do not codify the fees. This action will result in the Police Department being unable to fully recover operating costs incurred from special service requests by citizens and private businesses. These services will continue to be offered because of public safety needs and demand from the public, but at a cost to the overall General Fund operating budget.

### **Fire Department**

**Option A:** Staff recommends approving the proposed fee changes and the addition of the County Island Response Fee to the fire service fee schedule, effective July 1, 2008. These select fire services provide a direct benefit to the user/customer; fees are assessed to recover the cost of the service provided.

**Option B:** Do not approve proposed changes to fire service fees. This action will result in the Fire Department being unable to fully recover operating costs incurred from special service requests by citizens, private businesses and fire services provided to county islands. These services will continue to be offered because of fire safety needs and demand from the public, but at a cost to the overall General Fund operating budget.

### **WestWorld**

**Option A:** Staff recommends approving the proposed changes to select WestWorld rates and fees, effective July 1, 2008. The recommended adjustments are based on industry standards and keeps rates competitive in the market for similar type facilities. The proposed changes also ensure consistency throughout the overall fee schedule.

**Option B:** Do not approve the proposed changes to WestWorld rates and fees. This action will result in WestWorld rates and fees not being competitive with market standards and may require larger fee increases in future years.

### **Planning and Development Services**

**Option A:** Staff recommends a combined increase to Planning and Development Services fees and charges of 4.0 percent, effective July 1, 2008, consisting of the following: indexing fees at 2.5 percent to cover general inflationary costs based on the Consumer Price Index, and an additional 1.5 percent one-time fee increase to fund operating costs related to enhanced services for the Stormwater Management process, as specified in Resolution No. 7431 approved by Council on December 4, 2007. The proposed fee changes will not have an adverse impact on Scottsdale's relative position for fees and charges with other Valley cities. Also, staff recommends implementing minor fee adjustments related to Chapter 48 of the Scottsdale Revised Code, Resolution No. 7350, Ordinance No. 3743 pertaining to changes related to the dividing of land, adopted by Council August 21, 2007.

**Option B:** Do not approve the proposed changes for Planning and Development Services fees and charges, which may require substantially higher increases to fees in future years. This action does not address higher operational costs due to general inflation, new staffing for Stormwater enhanced services, and changes to Chapter 48 of the Scottsdale Revised Code, Ordinance 3743, related to the dividing of land.